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Should advisors be rethinking gold as a hedge?

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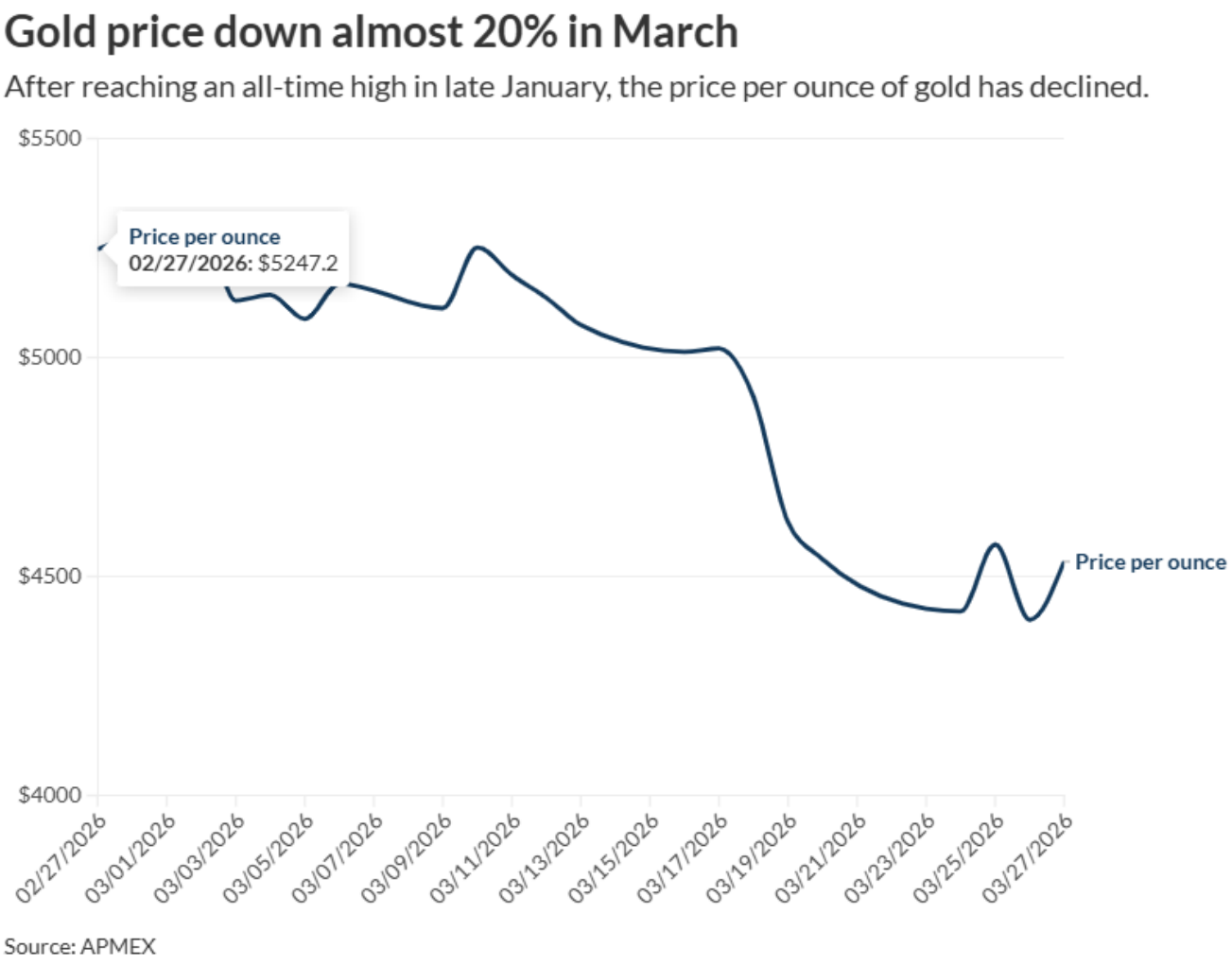
When the war in Iran started a month ago, oil prices spiked and market volatility ensued.

Traditionally, this sort of situation might send gold prices straight up as investors seek safe hedges in their portfolios. But that's not what has happened.

Zooming out, gold is still up significantly over this time last year when it was hovering just over $3,000 an ounce. As of March 2, gold was at $5,313.70 per ounce, just short of the record high reached in late January.

By Thursday, though, it was down to $4,401.10 per ounce — a nearly 20% drop in the space of just a few weeks — with interest rate expectations, market conditions and liquidity needs all factoring in.



Despite the recent decline, most advisors are wary of reactive portfolio changes, though the situation is a reason to consider diversification of hedges, according to Shanon Davis, CEO of precious metals company American Alternative Assets in Los Angeles.

Reasons for the downturn

After more than doubling in price between January 2025 and January 2026, much of the geopolitical and macroeconomic uncertainty appears to have already been priced in, said Steven Rozencwaig, senior vice president of wealth management and international wealth advisor at Raymond James in New York City.

Second, interest rates have remained higher for longer, as anticipated rate cuts have been delayed due to renewed inflation concerns.

"This has driven capital back into U.S. dollar-denominated assets, strengthening the dollar," he said. "As the dollar appreciates, gold becomes more expensive for non-U.S. buyers, creating additional downward pressure on prices."

This puts gold in a negative light, along with other common investments and assets, said Joshua D. Glawson, content manager at precious metals and coin dealer Money Metals Exchange.

"Gold is being extremely sensitive and responsive in this environment, especially after recently shaking off FOMO [fear of missing out] buyers and first-timers with weak hands," he said. "Liquidity is essentially dominating here with clear and strategic profit-taking."

How advisors should react

The current market situation affirms the broad investor-class consensus that gold is not a standalone hedge, said Davis.

"It has a role to play in a risk-managed portfolio, but more as a diversifier that should be deployed alongside other real assets and inflation-sensitive equities," he said.

Still, Sam Diarbakerly, founder and private wealth advisor at Generation Capital Advisors in Boston, said his firm is not making reactive changes as advisors look at portfolios.

"Each client's investment policy statement either calls for a commodities allocation or it does not," he said. "Trading in and out of gold based on short-term price action is extremely difficult to do well and runs counter to how we build portfolios."

Glawson said this current environment is a buying opportunity, not a complete pullaway from gold investing.

"We are seeing this as a short-term bearish position while remaining bullish in the long-term," he said.

In the short-term, Glawson said to anticipate continued volatility and potential downside for gold as markets remain focused on interest rate expectations, oil investments, liquidity stress and war-related uncertainty.

"Overall, these short-term shocks can pressure precious metals prices downward, while long-term forces like debt burdens, geopolitical fragmentation and monetary instability continue to support gold's role in the long term," he said.